

**SIGOURNEY COMMUNITY SCHOOL DISTRICT  
SIGOURNEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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# SIGOURNEY COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Bill Rees	President	2013
Kenneth Gretter	Vice President	2011
Larry Alderson	Board Member	2011
Terry Hollingsworth	Board Member	2011
Mark O'Rourke	Board Member	2011
Teresa Dawson	Board Member	2013
Ruth Manchester	Board Member	2013
(After September 2011 election)		
Bill Rees	President	2013
Mark O'Rourke	Vice President	2015
Teresa Dawson	Board Member	2013
Ruth Manchester	Board Member	2013
Denise Conrad	Board Member	2015
Terry Hollingsworth	Board Member	2015
Marsha Steinhart	Board Member	2015
<u>School Officials</u>		
Benita Gonzales	Superintendent	2013
Beckie Appleget	District Secretary/Treasurer and Business Manager (Resigned May 2012)	
Marlene Stoutner	Interim District Secretary/Treasurer and Business Manager	2012
Lynch Dallas, P.C.	Attorney	2012

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sigourney Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sigourney Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2013 on our consideration of Sigourney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
January 21, 2013

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## Basic Financial Statements

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,985,489	\$ 107,730	\$ 2,093,219
Receivables:			
Property tax:			
Current year	46,931	-	46,931
Succeeding year	2,693,172	-	2,693,172
Income surtax	131,343	-	131,343
Accounts	40	-	40
Due from other governments	384,630	-	384,630
Inventories	-	7,579	7,579
Capital assets, net of accumulated depreciation (note 4)	4,688,397	36,354	4,724,751
<b>Total assets</b>	<b>9,930,002</b>	<b>151,663</b>	<b>10,081,665</b>
<b>Liabilities</b>			
Accounts payable	121,624	-	121,624
Accrued interest payable	74,465	-	74,465
Unearned revenue	-	2,291	2,291
Deferred revenue:			
Succeeding year property tax	2,693,172	-	2,693,172
Other	1,875	-	1,875
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	77,061	-	77,061
Capital lease purchase agreements	189,643	-	189,643
Promissory note payable	28,491	-	28,491
Bank loan payable	22,913	-	22,913
Lighting capital lease	22,702	-	22,702
Portion due after one year:			
Capital lease purchase agreements	30,228	-	30,228
Promissory note payable	1,643,083	-	1,643,083
Bank loan payable	9,537	-	9,537
Lighting capital lease	100,423	-	100,423
Net OPEB liability	131,000	-	131,000
<b>Total liabilities</b>	<b>5,146,217</b>	<b>2,291</b>	<b>5,148,508</b>



SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,861,248	\$ 36,354	\$ 2,897,602
Restricted for:			
Categorical funding (note 10)	68,811	-	68,811
Management levy purposes	1,825	-	1,825
Physical plant and equipment levy purposes	42,729	-	42,729
Student activities	88,244	-	88,244
Capital projects	204,899	-	204,899
Unrestricted	<u>1,516,029</u>	<u>113,018</u>	<u>1,629,047</u>
Total net assets	<u>\$ 4,783,785</u>	<u>\$ 149,372</u>	<u>\$ 4,933,157</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 3,919,085	\$ 297,920	\$ 741,513
Support services:			
Student services	27,451	-	-
Instructional staff services	152,056	-	11,700
Administration services	807,914	172,499	
Operation and maintenance of plant services	465,786	-	-
Transportation services	279,581	-	-
	<u>1,732,788</u>	<u>172,499</u>	<u>11,700</u>
Other expenditures:			
Facilities acquisition	4,410	-	-
Long-term debt interest and fiscal charges	86,879	-	-
AEA flowthrough	211,064	-	211,064
Depreciation (unallocated)*	139,105	-	-
	<u>441,458</u>	<u>-</u>	<u>211,064</u>
Total governmental activities	<u>6,093,331</u>	<u>470,419</u>	<u>964,277</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,879,652)	\$ -	\$ (2,879,652)
(27,451)	-	(27,451)
(140,356)	-	(140,356)
(635,415)	-	(635,415)
(465,786)	-	(465,786)
(279,581)	-	(279,581)
(1,548,589)	-	(1,548,589)
(4,410)	-	(4,410)
(86,879)	-	(86,879)
-	-	-
(139,105)	-	(139,105)
(230,394)	-	(230,394)
(4,658,635)	-	(4,658,635)

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Operation and maintenance of plant services	\$ 5,439	\$ -	\$ -
Non-instructional programs:			
Food service operations	239,449	137,021	127,750
Total business-type activities	244,888	137,021	127,750
Total	\$ 6,338,219	\$ 607,440	\$ 1,092,027

General revenues:

Property tax levied for:

- General purposes
- Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (5,439)	\$ (5,439)
-	25,322	25,322
-	19,883	19,883
(4,658,635)	19,883	(4,638,752)
\$ 2,451,536	\$ -	\$ 2,451,536
49,025	-	49,025
134,854	-	134,854
433,175	-	433,175
2,712,586	-	2,712,586
2,903	109	3,012
74,635	-	74,635
5,858,714	109	5,858,823
1,200,079	19,992	1,220,071
3,583,706	129,380	3,713,086
\$ 4,783,785	\$ 149,372	\$ 4,933,157

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2012

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,481,803	\$ 329,010	\$ 174,676	\$ 1,985,489
Receivables:				
Property tax:				
Current year	43,205	914	2,812	46,931
Succeeding year	2,442,456	50,716	200,000	2,693,172
Income surtax	131,343	-	-	131,343
Accounts	40	-	-	40
Due from other governments	170,890	213,740	-	384,630
<b>Total assets</b>	<b>\$ 4,269,737</b>	<b>\$ 594,380</b>	<b>\$ 377,488</b>	<b>\$ 5,241,605</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 109,102	\$ 2,164	\$ 10,358	\$ 121,624
Deferred revenue:				
Succeeding year property tax	2,442,456	50,716	200,000	2,693,172
Other	133,218	-	-	133,218
<b>Total liabilities</b>	<b>2,684,776</b>	<b>52,880</b>	<b>210,358</b>	<b>2,948,014</b>
<b>Fund balances:</b>				
Restricted for:				
Categorical funding (note 10)	68,811	-	-	68,811
Management levy purposes	-	-	78,886	78,886
Student activities	-	-	88,244	88,244
School infrastructure	-	498,771	-	498,771
Physical plant and equipment	-	42,729	-	42,729
Assigned for specific instructional purposes	56,440	-	-	56,440
Unassigned	1,459,710	-	-	1,459,710
<b>Total fund balances</b>	<b>1,584,961</b>	<b>541,500</b>	<b>167,130</b>	<b>2,293,591</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,269,737</b>	<b>\$ 594,380</b>	<b>\$ 377,488</b>	<b>\$ 5,241,605</b>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2012

Total fund balances of governmental funds	\$ 2,293,591
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,688,397
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	131,343
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(74,465)
Long-term liabilities, including early retirement, capital lease purchase agreements, promissory notes, bank loans, lighting capital leases, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,255,081)</u>
Net assets of governmental activities	<u>\$ 4,783,785</u>
See notes to financial statements.	

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,436,783	\$ 482,200	\$ 149,814	\$ 3,068,797
Tuition	128,585	269	-	128,854
Other	283,382	-	132,671	416,053
State sources	3,402,531	-	-	3,402,531
Federal sources	274,332	-	-	274,332
Total revenues	6,525,613	482,469	282,485	7,290,567
Expenditures:				
Current:				
Instruction	3,649,148	1,935	245,526	3,896,609
Support services:				
Student services	26,908	-	-	26,908
Instructional staff services	150,352	-	-	150,352
Administration services	785,180	2,723	-	787,903
Operation and maintenance of plant services	427,741	149,788	22,956	600,485
Transportation services	227,234	-	5,478	232,712
	1,617,415	152,511	28,434	1,798,360
Other expenditures:				
Facilities acquisition	-	66,565	-	66,565
Long term debt:				
Principal	-	-	250,293	250,293
Interest and fiscal charges	-	-	89,250	89,250
AEA flowthrough	211,064	-	-	211,064
	211,064	66,565	339,543	617,172
Total expenditures	5,477,627	221,011	613,503	6,312,141
Excess (deficiency) of revenues over (under) expenditures	1,047,986	261,458	(331,018)	978,426



SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Capital lease proceeds	\$ -	\$ 142,212	\$ -	\$ 142,212
Sale of real property	-	3,050	-	3,050
Interfund transfers in (note 3)	-	-	339,543	339,543
Interfund transfers out (note 3)	(30,176)	(309,367)	-	(339,543)
Total other financing sources (uses)	(30,176)	(164,105)	339,543	145,262
Net change in fund balances	1,017,810	97,353	8,525	1,123,688
Fund balances beginning of year	567,151	444,147	158,605	1,169,903
Fund balances end of year	\$ <u>1,584,961</u>	\$ <u>541,500</u>	\$ <u>167,130</u>	\$ <u>2,293,591</u>

See notes to financial statements.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 1,123,688

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 204,367	
Depreciation expense	<u>(242,595)</u>	(38,228)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (207)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (142,212)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 250,293

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,371

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	51,374	
Net OPEB liability	<u>(47,000)</u>	<u>4,374</u>

Change in net assets of governmental activities \$ 1,200,079

See notes to financial statements.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 107,730
Inventories	7,579
Capital assets, net of accumulated depreciation (note 4)	<u>36,354</u>
Total assets	<u>151,663</u>
Liabilities	
Unearned revenue	<u>2,291</u>
Net Assets	
Invested in capital assets	36,354
Unrestricted	<u>113,018</u>
Total net assets	<u>\$ 149,372</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>137,021</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant services:	
Purchased services	5,439
Non-instructional programs:	
Food service operations:	
Salaries	96,400
Benefits	29,170
Purchased services	502
Supplies	107,454
Depreciation	5,593
Other	330
	<u>244,888</u>
Operating loss	(107,867)
Non-operating revenues:	
Interest on investments	109
State sources	2,492
Federal sources	125,258
Total non-operating revenues	<u>127,859</u>
Change in net assets	19,992
Net assets beginning of year	<u>129,380</u>
Net assets end of year	\$ <u><u>149,372</u></u>

See notes to financial statements.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 136,023
Cash received from miscellaneous operating activities	375
Cash payments to employees for services	(125,570)
Cash payments to suppliers for goods or services	<u>(90,984)</u>
Net cash used by operating activities	<u>(80,156)</u>
Cash flows from non-capital financing activities:	
State grants received	2,492
Federal grants received	<u>105,422</u>
Net cash provided by non-capital financing activities	<u>107,914</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,250)</u>
Cash flows from investing activities:	
Interest on investments	<u>109</u>
Net increase in cash and cash equivalents	25,617
Cash and cash equivalents beginning of year	<u>82,113</u>
Cash and cash equivalents end of year	<u>\$ 107,730</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (107,867)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	5,593
Commodities used	19,836
Decrease in inventories	2,905
(Decrease) in unearned revenue	<u>(623)</u>
Net cash used by operating activities	<u>\$ (80,156)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2012, the District received \$19,836 of federal commodities.	

See notes to financial statements.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2012

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>22,159</u>	\$ <u>11,724</u>
Liabilities:		
Other payables	<u>-</u>	<u>11,724</u>
Net assets:		
Reserved for scholarships	\$ <u><u>22,159</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 5,000	
Interest	<u>20</u>	
Total additions	<u>5,020</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>5,950</u>
Change in net assets		(930)
Net assets beginning of year		<u>23,089</u>
Net assets end of year	\$	<u><u>22,159</u></u>
See notes to financial statements.		

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### Note 1. Summary of Significant Accounting Policies

Sigourney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Sigourney, Iowa, and agricultural territory in Keokuk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Sigourney Community School District has one component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present Sigourney Community School District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

**Blended Component Unit** – The following component unit is an entity which is legally separate from the school district, but is so intertwined with the school district that it is, in substance, the same as the school district. It is reported as part of the school district and blended into the appropriate fund.

The Sigourney Education Foundation (Foundation) was created to raise money through contributions to advance, enhance, and support educational opportunities in the Sigourney Community School District. The Foundation is a separate legal entity whose directors are all members of the school Board of Education. The Foundation is reported as an Agency Fund.

**Jointly Governed Organizations** – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk County Assessor's Conference Board.



SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments (continued)

Component Unit Agency Fund Investments – The Foundation had investments at June 30, 2012 as follows:

	<u>Fair Value</u>
Mutual Funds	\$ <u>11,724</u>

The investments in the mutual funds are valued at fair value.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 309,367
Debt Service	General	<u>30,176</u>
		<u>\$ 339,543</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 147,865	\$ -	\$ -	\$ 147,865
Capital assets being depreciated:				
Buildings	6,312,170	62,155	-	6,374,325
Improvements other than buildings	641,907	-	-	641,907
Furniture and equipment	917,966	142,212	-	1,060,178
Total capital assets being depreciated	<u>7,872,043</u>	<u>204,367</u>	<u>-</u>	<u>8,076,410</u>
Less accumulated depreciation for:				
Buildings	2,336,935	124,219	-	2,461,154
Improvements other than buildings	310,465	26,839	-	337,304
Furniture and equipment	645,883	91,537	-	737,420
Total accumulated depreciation	<u>3,293,283</u>	<u>242,595</u>	<u>-</u>	<u>3,535,878</u>
Total capital assets being depreciated, net	<u>4,578,760</u>	<u>(38,228)</u>	<u>-</u>	<u>4,540,532</u>
Governmental activities capital assets, net	<u>\$ 4,726,625</u>	<u>\$ (38,228)</u>	<u>\$ -</u>	<u>\$ 4,688,397</u>
Business-type activities:				
Furniture and equipment	\$ 186,518	\$ 2,250	\$ -	\$ 188,768
Less accumulated depreciation	<u>146,821</u>	<u>5,593</u>	<u>-</u>	<u>152,414</u>
Business-type activities capital assets, net	<u>\$ 39,697</u>	<u>\$ (3,343)</u>	<u>\$ -</u>	<u>\$ 36,354</u>



SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 42,406
Support services:	
Administration	11,168
Operation and maintenance of plant services	4,745
Transportation	<u>45,171</u>
	103,490
Unallocated depreciation	<u>139,105</u>

Total governmental activities depreciation expense	\$ <u>242,595</u>
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Business-type activities:

Food service operations	\$ <u>5,593</u>
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SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 128,435	\$ -	\$ 51,374	\$ 77,061	\$ 77,061
Capital lease purchase agreements	409,514	-	189,643	219,871	189,643
Promissory note	1,700,000	-	28,426	1,671,574	28,491
Bank loan	45,587	-	13,137	32,450	22,913
Lighting capital lease	-	142,212	19,087	123,125	22,702
Net OPEB liability	84,000	47,000	-	131,000	-
Total	<u>\$ 2,367,536</u>	<u>\$ 189,212</u>	<u>\$ 301,667</u>	<u>\$ 2,255,081</u>	<u>\$ 340,810</u>

Early Retirement

For the year ended June 30, 2012, the District did not offer a voluntary early retirement plan to its employees.

For the year ended June 30, 2010, the early retirement benefit for each eligible employee was equal to one-half of the employee's salary excluding overtime, extra duty, extracurricular, and teacher comp and phase money and subject to a maximum of \$20,000 per individual. These early retirement benefits will be paid in six installments beginning January 2011 through June 2013.

At June 30, 2012, the District has obligations to nine participants with a total liability of \$77,061. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$51,374. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Lease Purchase Agreements

During the year ended June 30, 2009, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$525,764 for the high school. The agreement provides for semiannual payments of \$50,000 each the first year and semiannual payments of \$70,961 each over the next three years.

During the year ended June 30, 2010, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$64,437 for the junior high school. The agreement provides for an initial down payment followed by payments of \$8,747 every April 1 and October 1 through April 1, 2013.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

During the year ended June 30, 2011, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$120,909. The agreement provides for semi-annual payments of \$15,114 every September 13 and March 13 through March 13, 2014.

Details of the District's June 30, 2012 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	High School Computers	Junior High School Computers	Computers and Computer Equipment	Total
2013	\$ 141,922	\$ 17,494	\$ 30,227	\$ 189,643
2014	-	-	30,228	30,228
	<u>\$ 141,922</u>	<u>\$ 17,494</u>	<u>\$ 60,455</u>	<u>\$ 219,871</u>

Total payments on capital lease purchase agreements for the year ended June 30, 2012 were \$189,643.

Promissory Note

On July 13, 2009, the District issued a promissory note of \$1,700,000. The note is a draw-down loan with the proceeds of the issuance to be used to construct the Career Academy building. The note is payable over sixteen years and includes interest at 4.5%.

Details of the District's June 30, 2012 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 28,491	\$ 76,683	\$ 105,174
2014	30,209	74,965	105,174
2015	31,587	73,587	105,174
2016	33,028	72,146	105,174
2017	34,342	70,832	105,174
2018	36,102	69,072	105,174
2019	37,749	67,425	105,174
2020	39,471	65,703	105,174
2021	41,097	64,077	105,174
2022	43,147	62,027	105,174
2023	45,116	60,058	105,174
2024	47,174	58,000	105,174
2025	49,174	56,000	105,174
2026	1,174,887	53,604	1,228,491
	<u>\$ 1,671,574</u>	<u>\$ 924,179</u>	<u>\$ 2,595,753</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Bank Loan

During the year ended June 30, 2011, the District entered into a bank loan to purchase three vans totaling \$54,105. The loan provides for quarterly payments of \$4,850 including interest of 4.5%.

Details of the District's June 30, 2012 bank loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 22,913	\$ 1,337	\$ 24,250
2014	9,537	164	9,701
	<u>\$ 32,450</u>	<u>\$ 1,501</u>	<u>\$ 33,951</u>

Lighting Capital Lease

During the year ended June 30, 2010, the District entered into a capital lease to purchase and install lighting equipment totaling \$170,503. The agreement provides for monthly payments of \$2,743.24 for 84 months ending January 15, 2017 and includes interest of 9.05%.

Details of the District's June 30, 2012 capital lease indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 22,702	\$ 10,217	\$ 32,919
2014	24,844	8,075	32,919
2015	27,189	5,730	32,919
2016	29,754	3,165	32,919
2017	18,636	566	19,202
	<u>\$ 123,125</u>	<u>\$ 27,753</u>	<u>\$ 150,878</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 54,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost	51,000
Contributions made	<u>(4,000)</u>
Increase in net OPEB obligation	47,000
Net OPEB obligation beginning of year	<u>84,000</u>
Net OPEB obligation end of year	<u><u>\$ 131,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$4,000 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 51,000	7.8%	\$ 131,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$338,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$338,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,391,000, and the ratio of the UAAL to covered payroll was 10.0%. As of June 30, 2012, there were no trust fund assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000 on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$264,673, \$250,208, and \$240,764, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Sigourney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$211,064 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 11,861
Salary improvement program	27,387
Professional development for model core curriculum	9,881
Professional development	15,661
Market factor incentives	<u>4,021</u>
Total	<u>\$ 68,811</u>

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## Required Supplementary Information

# SIGOURNEY COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

### Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 3,613,704	\$ 137,130	\$ 3,750,834	\$ 3,960,861	\$ (210,027)
State sources	3,402,531	2,492	3,405,023	3,650,131	(245,108)
Federal sources	274,332	125,258	399,590	835,000	(435,410)
Total revenues	7,290,567	264,880	7,555,447	8,445,992	(890,545)
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	3,896,609	-	3,896,609	5,091,052	(1,194,443)
Support services	1,798,360	5,439	1,803,799	2,493,190	(689,391)
Non-instructional programs	-	239,449	239,449	275,000	(35,551)
Other expenditures	617,172	-	617,172	809,994	(192,822)
Total expenditures/expenses	6,312,141	244,888	6,557,029	8,669,236	(2,112,207)
Excess (deficiency) of revenues over (under) expenditures/ expenses	978,426	19,992	998,418	(223,244)	1,221,662
Other financing sources, net	145,262	-	145,262	-	145,262
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,123,688	19,992	1,143,680	(223,244)	1,366,924
Balance beginning of year	1,169,903	129,380	1,299,283	547,570	751,713
Balance end of year	\$ 2,293,591	\$ 149,372	\$ 2,442,963	\$ 324,326	\$ 2,118,637

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 372	\$ 372	0.0%	\$ 3,660	10.2%
2011	July 1, 2009	-	362	362	0.0%	3,758	9.6%
2012	July 1, 2009	-	338	338	0.0%	3,391	10.0%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Supplementary Information

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 76,074	\$ 98,602	\$ 174,676
Receivables:			
Property tax:			
Current year	2,812	-	2,812
Succeeding year	200,000	-	200,000
Total assets	<u>\$ 278,886</u>	<u>\$ 98,602</u>	<u>\$ 377,488</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 10,358	\$ 10,358
Deferred revenue:			
Succeeding year property tax	200,000	-	200,000
Total liabilities	<u>200,000</u>	<u>10,358</u>	<u>210,358</u>
Fund balances:			
Restricted for:			
Management levy purposes	78,886	-	78,886
Student activities	-	88,244	88,244
Total fund balances	<u>78,886</u>	<u>88,244</u>	<u>167,130</u>
Total liabilities and fund balances	<u>\$ 278,886</u>	<u>\$ 98,602</u>	<u>\$ 377,488</u>

See accompanying independent auditor's report.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax	\$ 149,814	\$ -	\$ -	\$ 149,814
Other	5,945	126,726	-	132,671
Total revenues	155,759	126,726	-	282,485
Expenditures:				
Current:				
Instruction	105,356	140,170	-	245,526
Support services:				
Operation and maintenance of plant services	22,956	-	-	22,956
Transportation services	5,478	-	-	5,478
Other expenditures:				
Long term debt:				
Principal	-	-	250,293	250,293
Interest and fiscal charges	-	-	89,250	89,250
Total expenditures	133,790	140,170	339,543	613,503
Excess (deficiency) of revenues over (under) expenditures	21,969	(13,444)	(339,543)	(331,018)
Other financing sources:				
Interfund transfers in	-	-	339,543	339,543
Net change in fund balances	21,969	(13,444)	-	8,525
Fund balances beginning of year	56,917	101,688	-	158,605
Fund balances end of year	\$ 78,886	\$ 88,244	\$ -	\$ 167,130

See accompanying independent auditor's report.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 285,031	\$ 43,979	\$ 329,010
Receivables:			
Property tax:			
Current year	-	914	914
Succeeding year	-	50,716	50,716
Due from other governments	213,740	-	213,740
<b>Total assets</b>	<b>\$ 498,771</b>	<b>\$ 95,609</b>	<b>\$ 594,380</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 2,164	\$ 2,164
Deferred revenue:			
Succeeding year property tax	-	50,716	50,716
<b>Total liabilities</b>	<b>-</b>	<b>52,880</b>	<b>52,880</b>
<b>Fund balances:</b>			
Restricted for:			
School infrastructure	498,771	-	498,771
Physical plant and equipment	-	42,729	42,729
<b>Total fund balances</b>	<b>498,771</b>	<b>42,729</b>	<b>541,500</b>
<b>Total liabilities and fund balances</b>	<b>\$ 498,771</b>	<b>\$ 95,609</b>	<b>\$ 594,380</b>

See accompanying independent auditor's report.



SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 433,175	\$ 49,025	\$ 482,200
Other	243	26	269
Total revenues	<u>433,418</u>	<u>49,051</u>	<u>482,469</u>
Expenditures:			
Current:			
Instruction	1,935	-	1,935
Support services:			
Administration services	-	2,723	2,723
Operation and maintenance of plant services	148,896	892	149,788
Other expenditures:			
Facilities acquisition	60,030	6,535	66,565
Total expenditures	<u>210,861</u>	<u>10,150</u>	<u>221,011</u>
Excess of revenues over expenditures	222,557	38,901	261,458
Other financing sources (uses):			
Capital lease proceeds	142,212	-	142,212
Sale of real property	-	3,050	3,050
Interfund transfers out	(309,367)	-	(309,367)
Total other financing sources (uses)	<u>(167,155)</u>	<u>3,050</u>	<u>(164,105)</u>
Net change in fund balances	55,402	41,951	97,353
Fund balances beginning of year	<u>443,369</u>	<u>778</u>	<u>444,147</u>
Fund balances end of year	<u>\$ 498,771</u>	<u>\$ 42,729</u>	<u>\$ 541,500</u>

See accompanying independent auditor's report.

## SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 1,970	\$ 5,767	\$ 5,508	\$ 2,229
Spanish Club	2,898	7	-	2,905
Band Trip	5,754	10,365	5,247	10,872
Girls Basketball Fundraising	1,967	6	910	1,063
Girls Golf Fundraising	21	6	-	27
Boys Basketball	1,341	156	973	524
Trapshooting	715	3,759	2,976	1,498
Girls Track Fundraising	303	8,106	7,490	919
Softball	5,498	286	3,222	2,562
Baseball Fundraising	4,175	1,093	1,484	3,784
Volleyball Fundraising	593	280	750	123
Wrestling Fundraising	13,054	6	6,035	7,025
KC STAAR Fundraising	5,811	-	5,811	-
Athletics	19,529	45,747	46,495	18,781
Sigourney - Keota	2,191	2,646	3,899	938
Junior High Student Council	161	7	-	168
Honor Society	-	691	519	172
FCCLA	10,889	2,542	6,007	7,424
FFA	4,919	34,343	27,632	11,630
Student Council	3,551	3,612	4,488	2,675
Cheerleaders	10,050	2,761	5,890	6,921
Wrestling Cheerleaders	1,206	984	1,217	973
Class of 2012	501	1,021	611	911
Class of 2013	2,071	336	2,124	283
Class of 2014	940	656	46	1,550
Class of 2015	583	1,389	86	1,886
Class of 2016	71	147	-	218
Blood Drive	926	7	750	183
	<u>\$ 101,688</u>	<u>\$ 126,726</u>	<u>\$ 140,170</u>	<u>\$ 88,244</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>11,642</u>	\$ <u>112</u>	\$ <u>30</u>	\$ <u>11,724</u>
Liabilities				
Other payables	\$ <u>11,642</u>	\$ <u>112</u>	\$ <u>30</u>	\$ <u>11,724</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 3,068,797	\$ 2,803,383	\$ 2,614,121	\$ 2,678,543
Tuition	128,854	172,705	172,171	247,583
Other	416,053	437,802	294,740	402,271
State sources	3,402,531	3,128,095	2,936,242	2,968,223
Federal sources	274,332	732,782	791,398	292,943
Total revenues	<u>\$ 7,290,567</u>	<u>\$ 7,274,767</u>	<u>\$ 6,808,672</u>	<u>\$ 6,589,563</u>
Expenditures:				
Instruction	\$ 3,896,609	\$ 4,749,758	\$ 4,613,137	\$ 4,147,399
Support services:				
Student services	26,908	26,466	68,554	93,767
Instructional staff services	150,352	152,780	192,804	195,697
Administration services	787,903	982,555	859,628	1,304,820
Operation and maintenance of plant services	600,485	594,917	534,704	644,265
Transportation services	232,712	274,646	224,338	223,436
Central support services	-	-	-	-
Non-instructional programs	-	2,055	-	1,640
Other expenditures:				
Facilities acquisition	66,565	238,200	1,857,480	38,592
Long-term debt:				
Principal	250,293	198,160	111,954	260,000
Interest and fiscal charges	89,250	43,174	-	12,160
AEA flowthrough	211,064	237,125	234,365	216,486
Total expenditures	<u>\$ 6,312,141</u>	<u>\$ 7,499,836</u>	<u>\$ 8,696,964</u>	<u>\$ 7,138,262</u>

See accompanying independent auditor's report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 2,630,254	\$ 2,310,889	\$ 2,461,134	\$ 2,374,146	\$ 2,156,319
260,764	247,180	295,282	387,580	446,806
527,109	328,882	313,145	269,074	260,471
3,405,799	3,355,294	3,113,321	3,025,100	2,861,247
488,958	318,873	331,662	302,972	290,904
<u>\$ 7,312,884</u>	<u>\$ 6,561,118</u>	<u>\$ 6,514,544</u>	<u>\$ 6,358,872</u>	<u>\$ 6,015,747</u>
\$ 3,918,372	\$ 4,132,620	\$ 4,461,857	\$ 4,230,765	\$ 4,366,462
91,569	96,963	97,821	97,550	92,753
183,197	203,032	189,373	199,712	138,823
869,479	813,955	750,145	646,285	586,137
574,375	535,287	551,149	457,047	285,958
473,581	221,468	270,654	257,980	233,505
-	-	-	-	17,854
652	2,632	694	505	631
516,926	11,365	33,326	3,113	17,391
255,000	160,000	320,000	225,000	215,000
23,835	30,875	45,220	54,870	63,743
213,973	210,712	193,955	193,071	196,894
<u>\$ 7,120,959</u>	<u>\$ 6,418,909</u>	<u>\$ 6,914,194</u>	<u>\$ 6,365,898</u>	<u>\$ 6,215,151</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Sigourney Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sigourney Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 and I-C-12 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sigourney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Sigourney Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sigourney Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sigourney Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sigourney Community School District and other parties to whom Sigourney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sigourney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
January 21, 2013

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- I-A-12 Financial Reporting – During the audit, we identified material amounts of payables that were posted against cash and material capital lease adjustments and capital asset additions and depreciation not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables, capital lease adjustments and capital asset transactions are identified and properly recorded in the District's financial statements.

Response – We will double check these in the future to avoid missing or improperly recording any payables, capital lease adjustments or capital asset transactions.

Conclusion – Response accepted.

- I-B-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the recording of disbursements in the system, preparation of the checks, and bank reconciliations are done by the same individual for the Student Activity and School Nutrition Funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement where possible.

Conclusion – Response accepted.

- I-C-12 Sigourney Education Foundation – The District is acting as an agent of the Sigourney Education Foundation, which is considered a blended component unit of the District. However, this fund is not recorded in the District's general ledger.

Recommendation – The District should record the Sigourney Education Foundation into an agency fund in their software system's general ledger, or consider having the Foundation dissolve and transfer its assets to the school as a scholarship trust fund.

Response – We are in the process of reorganizing the Foundation board so that the District does not act as fiscal agent and the board of the Foundation will be separate from the school's board. We may also consider dissolving the Foundation and transferring the scholarship funds to the school district.

Conclusion – Response accepted.



# SIGOURNEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2012

### Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Don Appleget, Spouse of Business Manager Owner of Sigourney Tree Care	Mulch, snow removal	\$5,313

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction does not appear to represent a conflict of interest.

- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment – The District’s basic enrollment data certified to the Department of Education was overstated by 0.8 due to 1 CPI dual enrolled student misclassified as a regular enrolled student and 1 CPI student who was missed.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this problem.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management to resolve this problem.

Conclusion – Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

- II-H-12    Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for October 3, 2011 was overstated by 0.09 due to a course that was claimed but was short of accreditation during the fall of 2011.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response accepted.

- II-I-12    Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- II-J-12    Certified Annual Report – The Certified Annual Report was certified late to the Iowa Department of Education, and we noted significant deficiencies in the amounts reported in the General Fund and the Enterprise, School Nutrition Fund.

Recommendation – The District should report the \$5,593 difference in the Enterprise, School Nutrition Fund as a net downward auditor’s adjustment to beginning balance on the Certified Annual Report for the year ending June 30, 2013.

The District should report the net difference of \$62,024 to the General Fund as a downward auditor’s adjustment to the beginning balance on the Certified Annual Report for the year ending June 30, 2013 and contact the Iowa Department of Education concerning any material affect the adjustment may have on the District’s unspent authorized budget balance. The Certified Annual Report should be certified by its due date.

Response – We will make the appropriate adjustments on next year’s Certified Annual Report and certify the report timely in the future.

Conclusion – Response accepted.

- II-K-12    Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

# SIGOURNEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2012

### Part II: Other Findings Related to Statutory Reporting (continued):

- II-L-12      Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	443,369
Revenues:			
Sales tax revenues	\$	433,175	
Interest		243	
Issuance of long-term debt		<u>142,212</u>	575,630
Expenditures/transfers out:			
School infrastructure construction		60,030	
Equipment		150,831	
Transfers to other funds:			
Debt Service Fund		<u>309,367</u>	<u>520,228</u>
Ending balance		\$	<u><u>498,771</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.